



Office of the Legislative Auditor

State of Montana

Report to the Legislature

March 1992

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1991

Montana Council on Vocational Education

We issued an unqualified opinion on the council's financial
schedules and our report contains no recommendations.

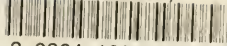
STATE DOCUMENTS COLLECTION

JUL 20 1992

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

PLEASE RETURN

Direct comments/inquiries to:
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620



FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1989 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Greg Jergeson, Chairman
Senator Tom Keating
Senator Paul Svrcek
Senator Gene Thayer

Representative John Cobb, Vice Chairman
Representative Larry Grinde
Representative Mike Kadas
Representative Robert Pavlovich



STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

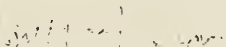
March 1992

To the Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Council on Vocational Education for the two fiscal years ended June 30, 1991. We make no recommendations to the council.

We thank the Executive Director and Administrative Assistant for their assistance and cooperation.

Respectfully submitted,


Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1991

Montana Council on Vocational Education

Members of the audit staff involved in this audit were Charles Nemec and Lorry Parriman.

Table of Contents

	Appointed and Administrative Officials	ii
Introduction	Introduction	1
	Background	1
Independent Auditor's Report & Agency Financial Schedules	Summary of Independent Auditor's Report	4
	Independent Auditor's Report	5
	Schedule of Changes in Fund Balance for the Two Fiscal Years Ended June 30, 1991	6
	Schedule of Budgeted Revenue - Estimate & Actual for the Two Fiscal Years Ended June 30, 1991	7
	Schedule of Budgeted Program Expenditures by Object and Fund - Budget and Actual for the Two Fiscal Years Ended June 30, 1991	8
	Note to the Financial Schedules	9
Council Response	Montana Council on Vocational Education	13

Appointed and Administrative Officials

Montana Council on Vocational Education

Dr. Jon Jourdonnais, Chairperson
Col. Gordon H. Simmons, Vice Chairperson
Fred Clark
Jeff Dietz
Ann Haagenstad
Dr. Gus Korb
Dr. Dennis Lerum
Jesse O'Hara
Dr. Robert Schaal
James Schultz
Representative Chuck Swysgood
Avis Ann Tobin
Howard Williams

All Members were appointed for two-year terms commencing
March 1, 1989 and reappointed March 1, 1991.

Administrative Officials

James W. Fitzpatrick	Executive Director
Lucie Willson	Administrative Assistant

Introduction

Introduction

We performed a financial-compliance audit of the Montana State Council on Vocational Education for the two fiscal years ended June 30, 1991. The objectives of the audit were to:

1. Determine council compliance with applicable laws and regulations.
2. Identify areas needing improvement in the management and internal controls of the council.
3. Determine if the council's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1991, in accordance with state accounting policy.

Concerns deemed not to have a significant effect on the successful operations of the council program are not specifically included in the report, but have been discussed with management.

Background

The Montana Advisory Council for Vocational Education was created in 1969 by executive order to comply with the federal Vocational Education Act of 1963. The Carl Perkins Vocational Education Act of 1984 (Public Law 98-524) changed the name of the council to the Montana Council on Vocational Education, limited membership on the council to 13 members, and permitted the council to take a more active role in the planning and evaluation process concerning vocational education in the state. Effective July 1, 1991, the council is subject to the Carl D. Perkins Vocational and Applied Technology Amendments of 1990 (Public Law 101-392).

The council is funded from federal vocational education funds and must exist in order for Montana to receive the federal funds. Expenditures of the council were \$127,689 for fiscal year 1989-90, and \$130,577 for fiscal year 1990-91.

The council's purpose is to ensure that vocational programs, services, and activities in Montana function efficiently and are available to all persons who need and can benefit from them. At

Introduction

June 30, 1991, the council had 13 members representing various occupations, backgrounds, and geographic locations in the state. Federal regulations require the diversity of membership to facilitate input from Montana's citizens.

Under federal guidelines, the council assists the "sole state agency" responsible for vocational education, which is the State Board of Regents of Higher Education. The major responsibilities of the council are:

1. To work with the Board of Regents: (a) in the development of the three-year State Plan for Vocational Education and the annual program, and (b) on policy matters arising out of the administration of these plans.
2. To assist the Board of Regents in developing plans for evaluation of vocational education and to monitor these evaluations.
3. To evaluate the effectiveness of the vocational education program and advise the Governor, the Board of Regents, State Job Training Coordinating Council, the U.S. Secretary of Education, and the U.S. Secretary of Labor in writing of any findings.
4. To consult with the State Job Training Coordinating Council, and identify vocational education, employment and training needs of the state and assess the extent to which vocational education, employment training, vocational rehabilitation, special education, and other programs assisted under federal law represent a consistent, integrated, and coordinated approach to vocational education in the state.

In addition, the council is responsible for performing other duties mandated by Public Law 98-524, section 112.

The council employs an executive director, an administrative assistant, and a .5 full-time equivalent position for clerical support to assist in carrying out the council's responsibilities.

Independent Auditor's Report & Agency Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance which can be placed on the amounts presented. The schedules were prepared from the Statewide Budgeting and Accounting System and the reader may rely on the information presented.

STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS

MARY BRYSON
Operations and EDP Audit

JAMES GILLETT
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

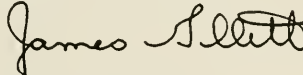
We have audited the accompanying financial schedules of the Montana Council on Vocational Education for each of the two fiscal years ended June 30, 1990 and 1991, as shown on pages 6 through 10. The information contained in these schedules is the responsibility of the council's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the council's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana Council on Vocational Education for the two fiscal years ended June 30, 1990 and 1991, in conformity with the basis of accounting described in note 1.

Respectfully submitted,



James Gillett, CPA
Deputy Legislative Auditor

February 4, 1992

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1991

	<u>Special Revenue Funds</u>
FUND BALANCE: July 1, 1989	\$ <u>0</u>
ADDITIONS	
<u>Fiscal Year 1989-90</u>	
Budgeted Revenue	126,870
Prior Year Expenditure Adjustments	819
<u>Fiscal Year 1990-91</u>	
Budgeted Revenue	128,080
Nonbudgeted Revenue	1,568
Prior Year Expenditure Adjustments	<u>929</u>
Total Additions	<u>258,266</u>
REDUCTIONS	
<u>Fiscal Year 1989-90</u>	
Budgeted Expenditures	127,689
<u>Fiscal Year 1990-91</u>	
Budgeted Expenditures	<u>130,577</u>
Total Reductions	<u>258,266</u>
FUND BALANCE: June 30, 1991	\$ <u>0</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 9 and 10.

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF BUDGETED REVENUE - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1991

	<u>Federal</u>
<u>Fiscal Year 1990-91</u>	
SPECIAL REVENUE FUND	
Estimated Revenue	\$ 62,456 ¹
Actual Revenue	<u>128,080</u>
Collections Over	
(Under) Estimate	<u>\$ 65,624</u>
 <u>Fiscal Year 1989-90</u>	
SPECIAL REVENUE FUND	
Estimated Revenue	\$189,326
Actual Revenue	<u>126,870</u>
Collections Over	
(Under) Estimate	<u>\$(62,456)</u>

¹ A negative revenue estimate of \$120,000 was recorded at fiscal year-end 1990-91 by the Office of Budget and Program Planning.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 9 and 10.

MONTNA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES
BY OBJECT AND FUND - BUDGET AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1991

	<u>Administration Program</u>	
	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>1990-91</u>	<u>1989-90</u>
PERSONAL SERVICES		
Salaries	\$ 61,015	\$ 59,404
Other Compensation	1,750	1,525
Employee Benefits	<u>12,522</u>	<u>12,285</u>
Total	<u>75,287</u>	<u>\$ 73,214</u>
OPERATING EXPENSES		
Contracted Services	10,200	14,449
Supplies & Materials	2,651	1,279
Communications	4,340	4,856
Travel	23,163	19,565
Rent	6,948	6,770
Repair & Maintenance	2,025	1,228
Other Expenses	<u>4,363</u>	<u>5,853</u>
Total	<u>53,690</u>	<u>54,000</u>
EQUIPMENT AND INTANGIBLE ASSETS		
Equipment	<u>1,600</u>	<u>475</u>
Total	<u>1,600</u>	<u>475</u>
TOTAL PROGRAM EXPENDITURES	<u>\$130,577</u>	<u>\$127,689</u>
SPECIAL REVENUE FUND		
Budgeted	\$139,443	\$140,085
Actual	<u>130,577</u>	<u>127,689</u>
Unspent Budget Authority	<u>\$ 8,866</u>	<u>\$ 12,396</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 9 and 10.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1991

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The Montana Council on Vocational Education uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds. In applying the modified accrual basis, the council records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the council incurs the related liability and it is measurable.

Expenditures may include entire budgeted service contracts even though the council received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

State accounting policy also requires the council to record the cost of employees' annual leave and sick leave when used or paid.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments. Accounts are organized in funds according to state law. The council uses the following fund.

Special Revenue - accounts for the proceeds of federal vocational education funds that are legally restricted to expenditures for specified purposes.

Notes to the Financial Schedules

2. **Annual and Sick Leave**

Employees at the council accumulate both annual and sick leave. Employees are paid for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in the accompanying financial schedules. Expenditures for termination pay are absorbed in the annual operational costs of the council. At June 30, 1991, the council had a liability of \$10,814, and \$9,702 at June 30, 1990 for annual and sick leave.

3. **Pension Plan**

Employees are covered by the Montana Public Employees' Retirement System (PERS). The council's contribution to this plan was \$3,552 in fiscal year 1989-90 and \$3,655 in fiscal year 1990-91.

Council Response

MONTANA COUNCIL ON VOCATIONAL EDUCATION



EXECUTIVE MANAGEMENT BUILDING

1228 11TH AVENUE

STATE OF MONTANA

(406) 444-2964

HELENA, MONTANA 59620

JAMES W. FITZPATRICK
EXECUTIVE DIRECTOR

MAR 11 1992

March 10, 1992

Mr. Scott A. Seacat
Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

Dear Mr. Seacat:

We appreciate the opportunity to review and comment on the Financial-Compliance Audit Report for the Montana Council on Vocational Education for the two fiscal years ended June 30, 1991. Based on our review of the draft report, we concur that the contents are factually correct and have no changes to report.

We want to thank the members of your staff for conducting the audit in a timely manner and appreciate the opportunity to formally respond to this audit report. In particular, the professionalism and dedication of Mr. Charles Nemec in conducting the audit was appreciated.

Sincerely,

Jon Jourdonnais
Dr. Jon Jourdonnais
Chairman

Jim Fitzpatrick
Jim Fitzpatrick
Executive Director

Lucie Willson
Lucie Willson
Administrative Assistant

MEMBERS

Dr. Jon Jourdonnais
Chairman
Col. Gordon H. Simmons
Vice Chairman
Fred "Rocky" Clark
Jeff Dietz
Ann Haagenstad
Dr. Gus Korb
Dr. Dennis Lerum
Jesse O'Hara
Dr. Robert Schaal
James Schultz
Rep. Chuck Swysgood
Avis Ann "Sanny" Tobin
Howard Williams

